

South Carolina in 2019

A Market Overview



UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

Joseph Von Nessen, Ph.D.

Research Economist

October 18, 2018

joey.vonnessen@moore.sc.edu

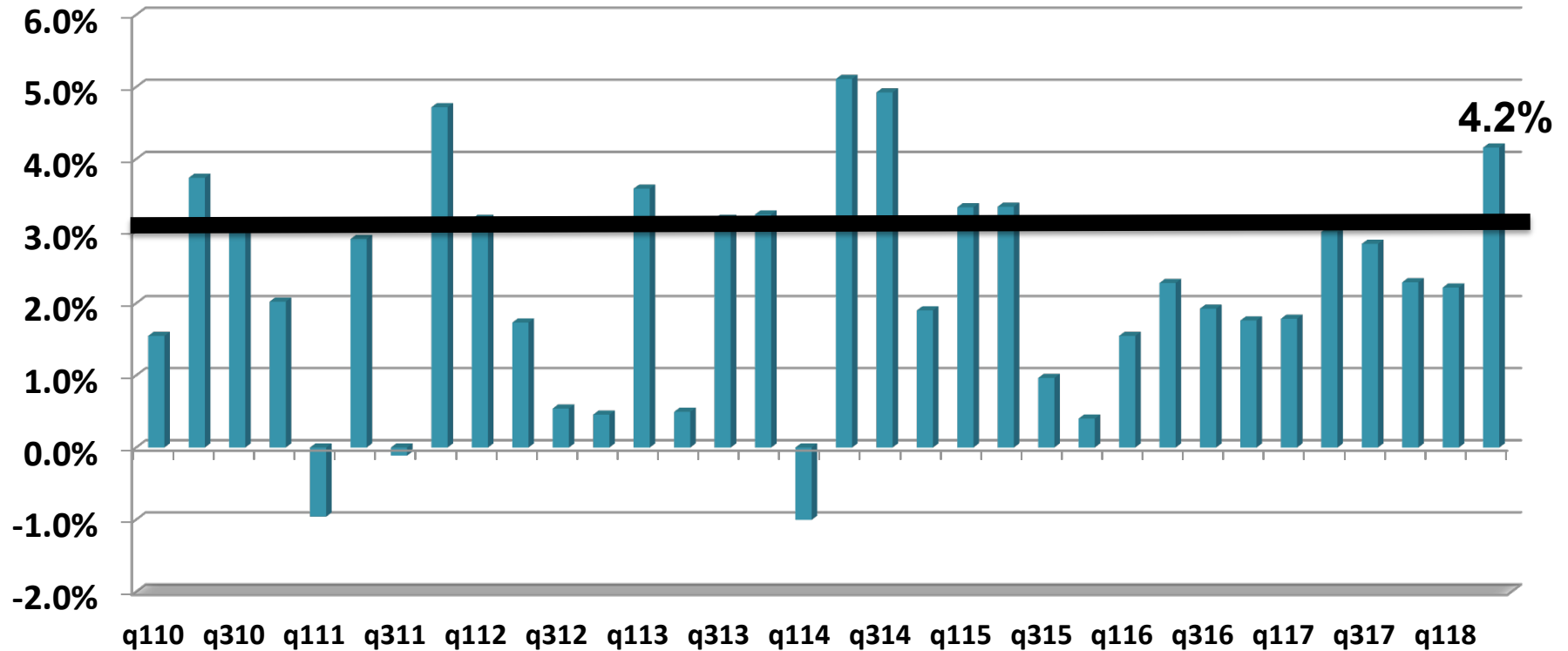


UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

Both the U.S. and S.C. economies
are strong and stable overall



U.S. GDP Growth (Annualized)

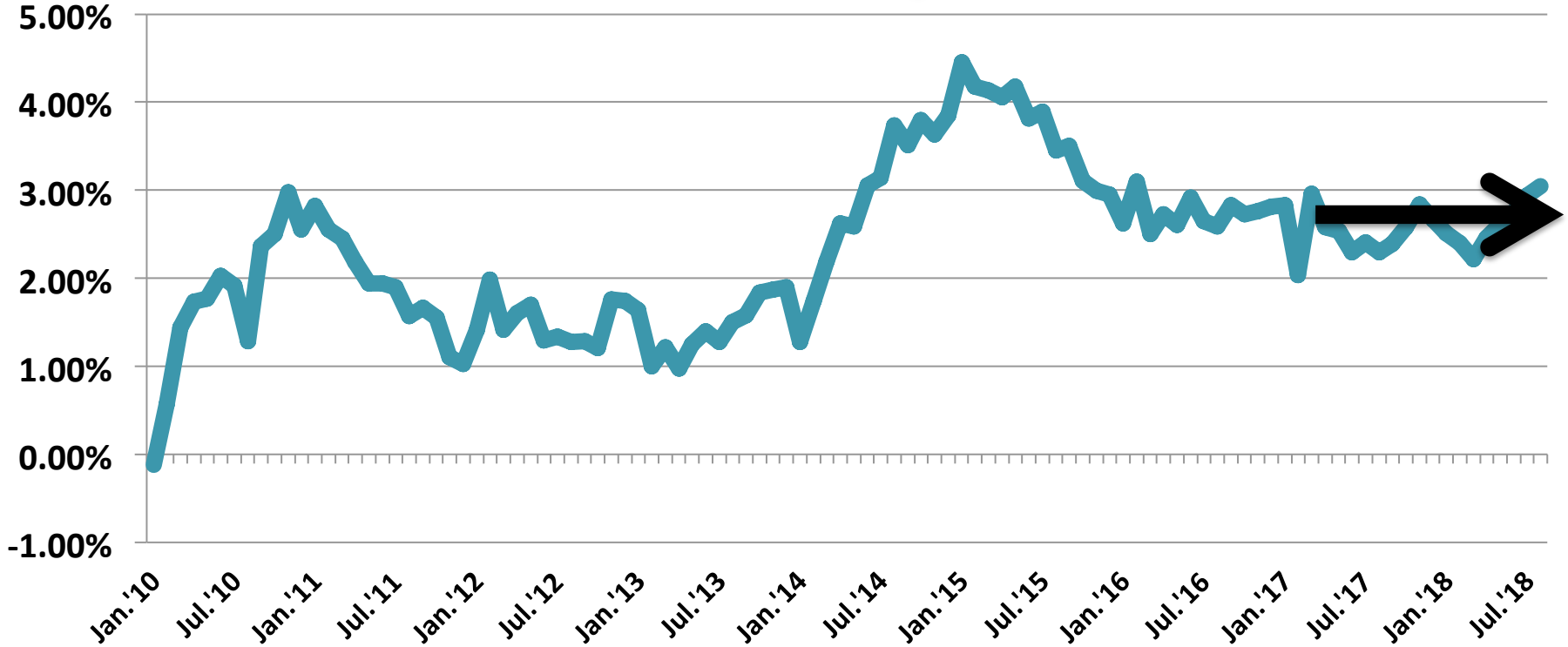


Source: U.S. Bureau of Economic Analysis



Real Personal Consumption Expenditures Growth

Year/Year Percent Change, SAAR



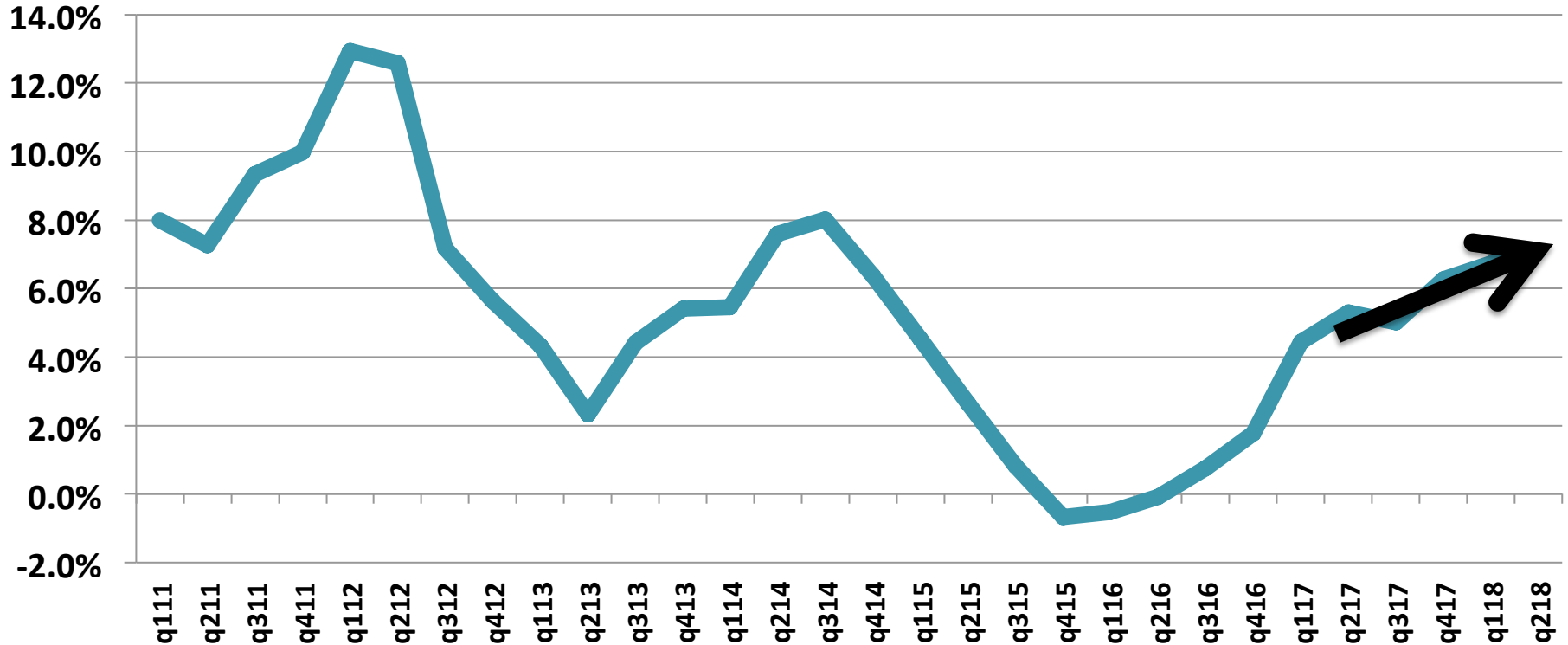
Source: U.S. Bureau of Economic Analysis



UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

Real Private Non-Residential Fixed Domestic Investment Growth

Year/Year Percent Change, SAAR



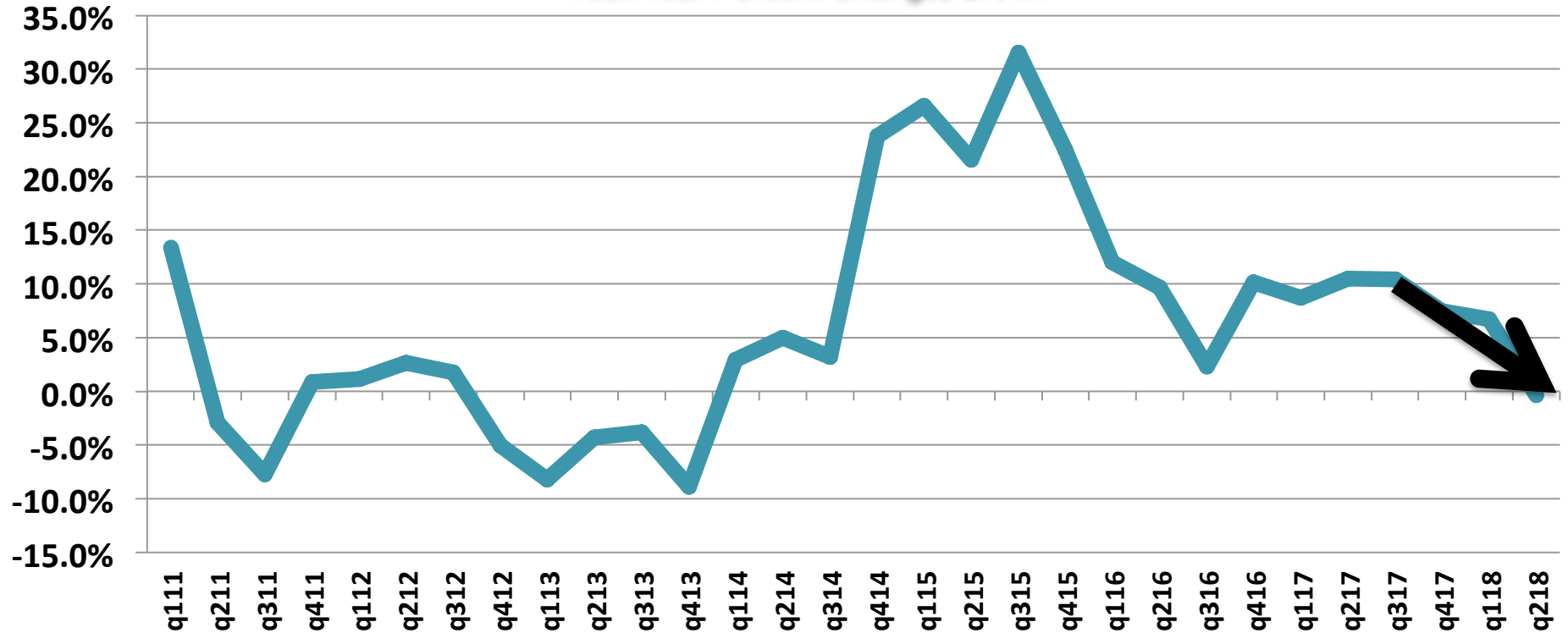
Source: U.S. Bureau of Economic Analysis



UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

Real Net Export Growth

Year/Year Percent Change, SAAR



Source: U.S. Bureau of Economic Analysis



Keep your eye on the fundamentals...

$$GDP = C + I + G + NX$$

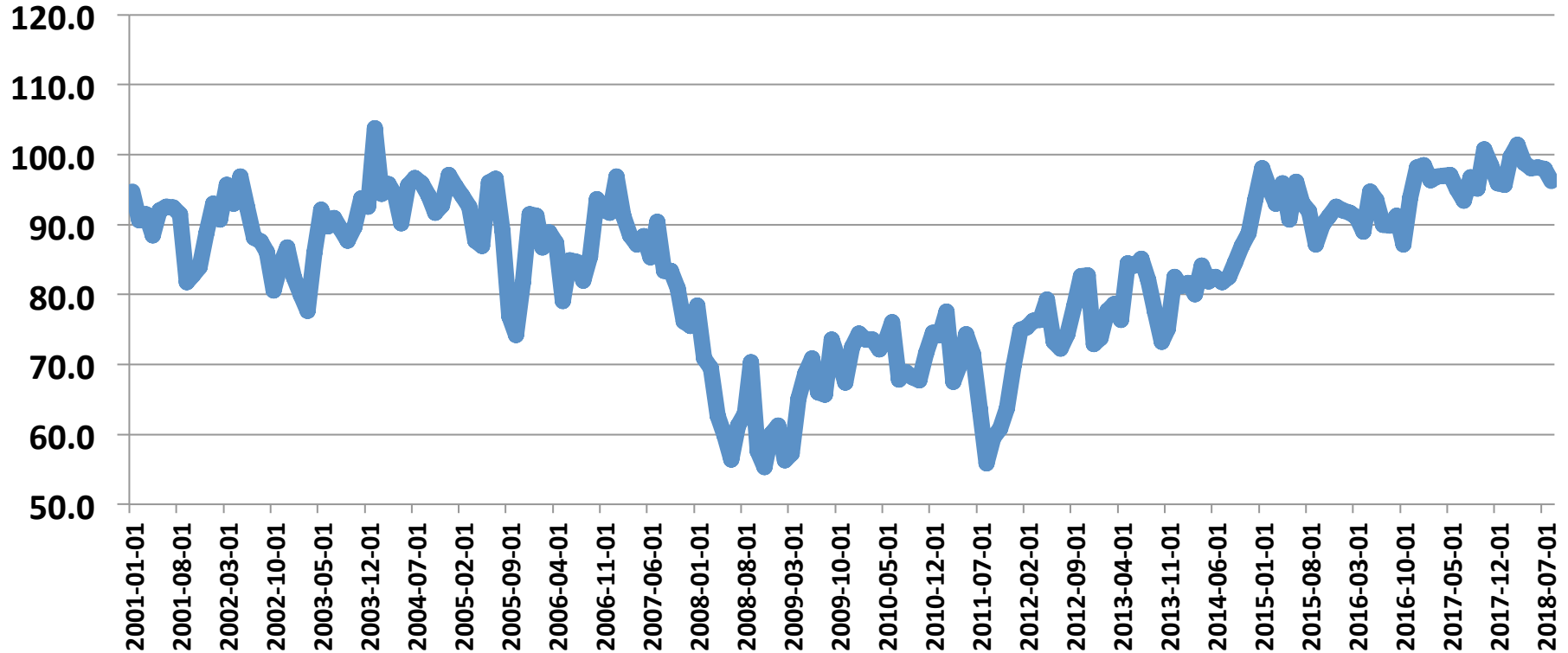


Which growth trend will
dominate?

Private Investment vs.
Net Exports in 2019



U.S. Consumer Sentiment

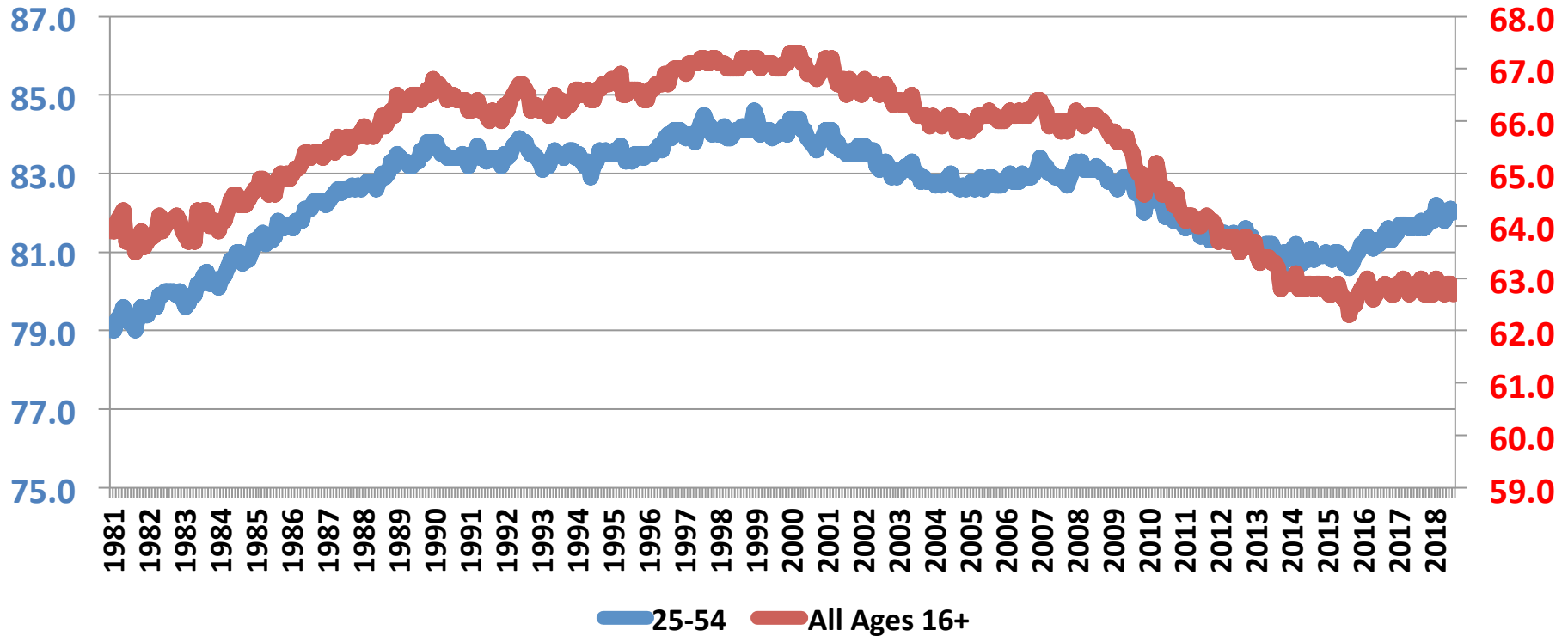


Source: University of Michigan



UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

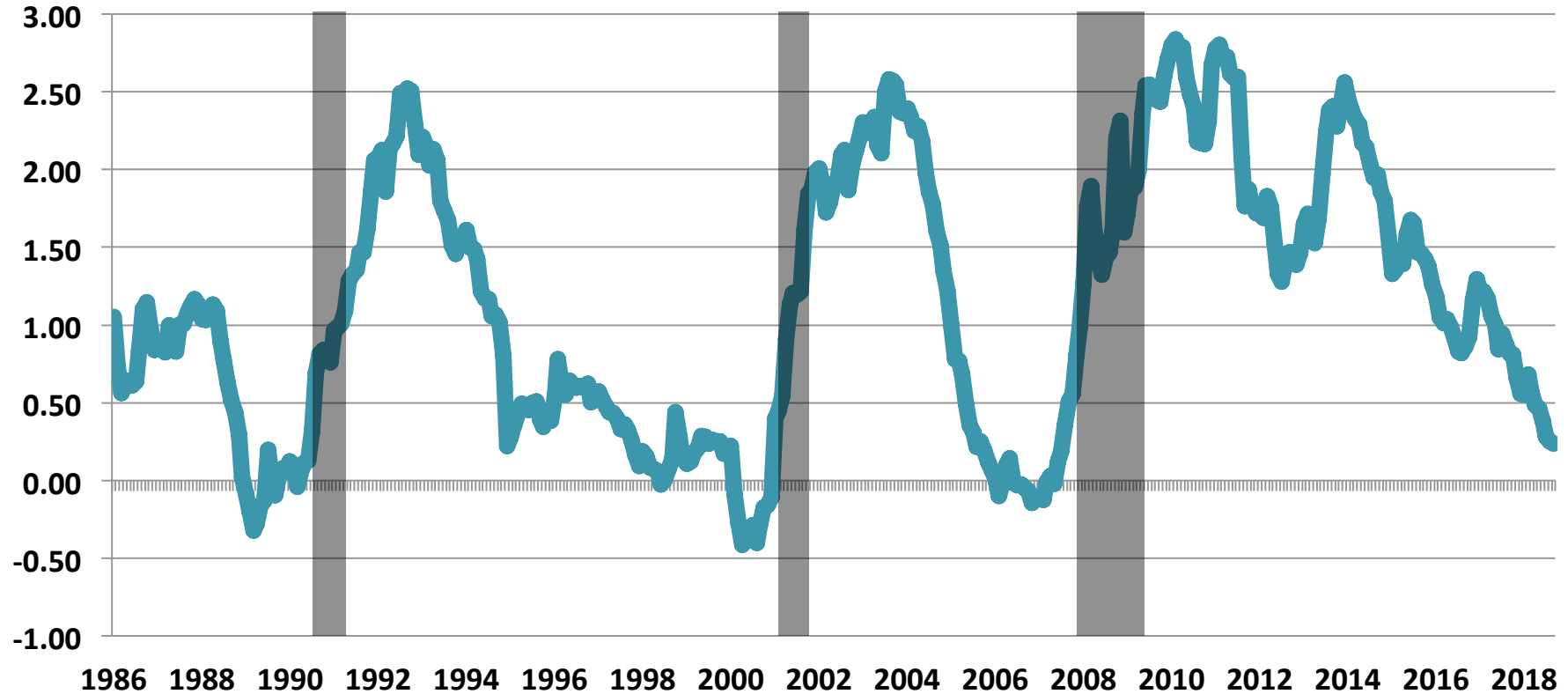
Labor Force Participation



Source: U.S. Bureau of Labor Statistics



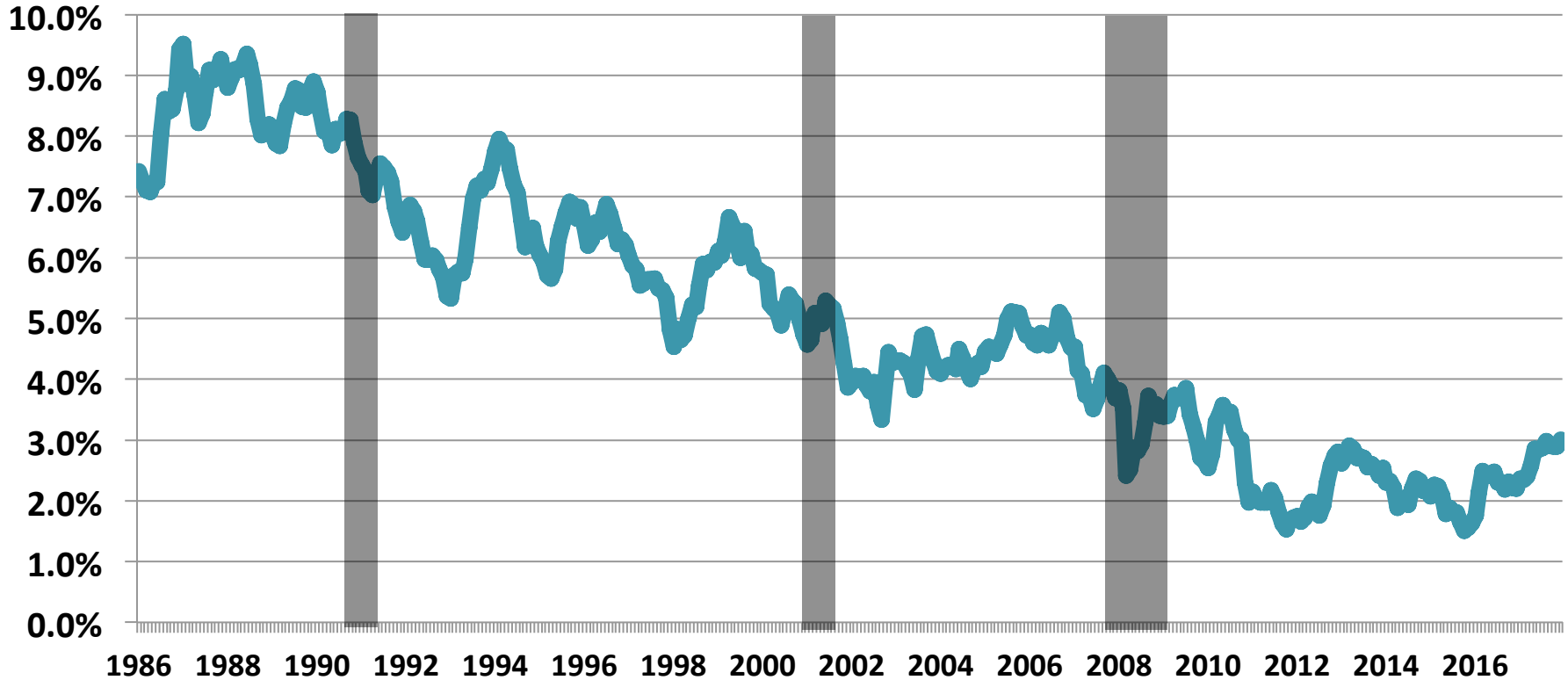
10-Year Treasury Constant Maturity Rate Less 2-Year Treasury Constant Maturity Rate



Source: Board of Governors of the Federal Reserve System



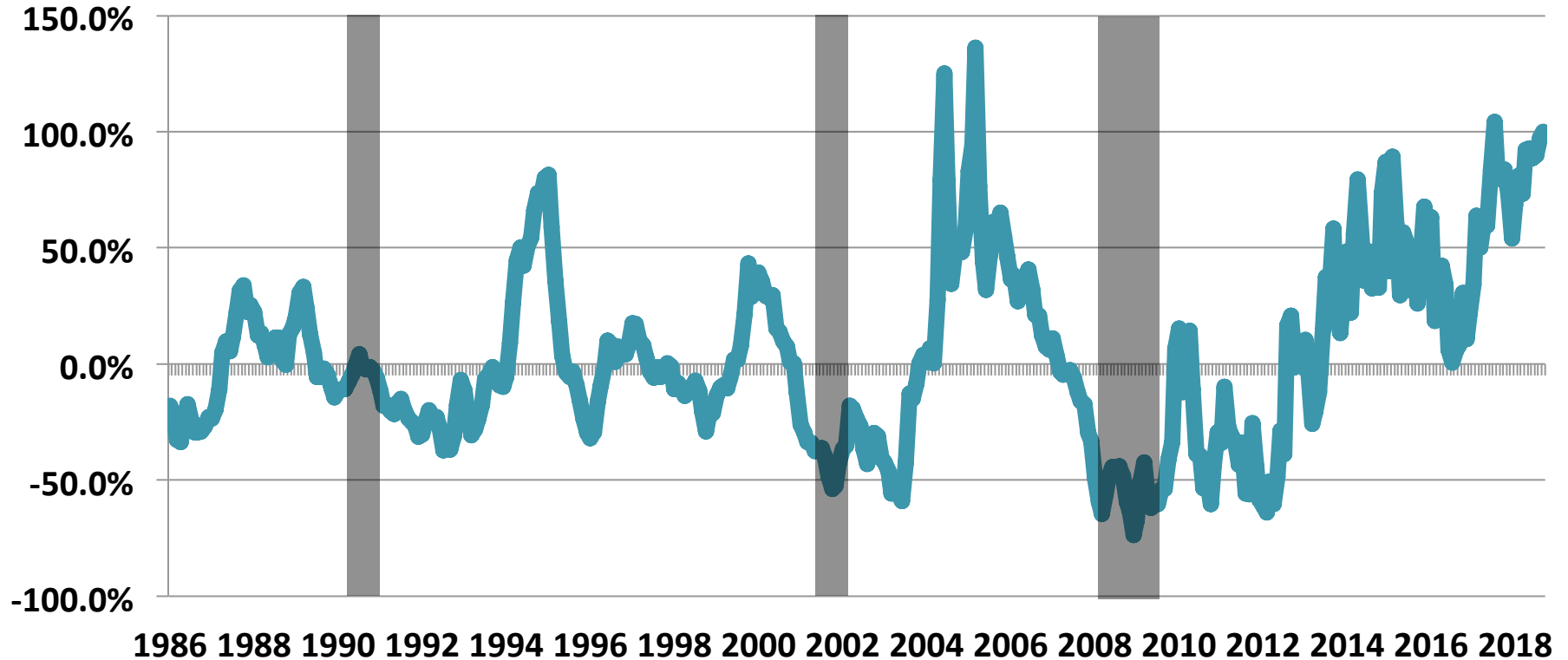
10-Year Treasury Constant Maturity Rate



Source: Board of Governors of the Federal Reserve System



2-Year Treasury Constant Maturity Rate (Yr/Yr Pct. Change)



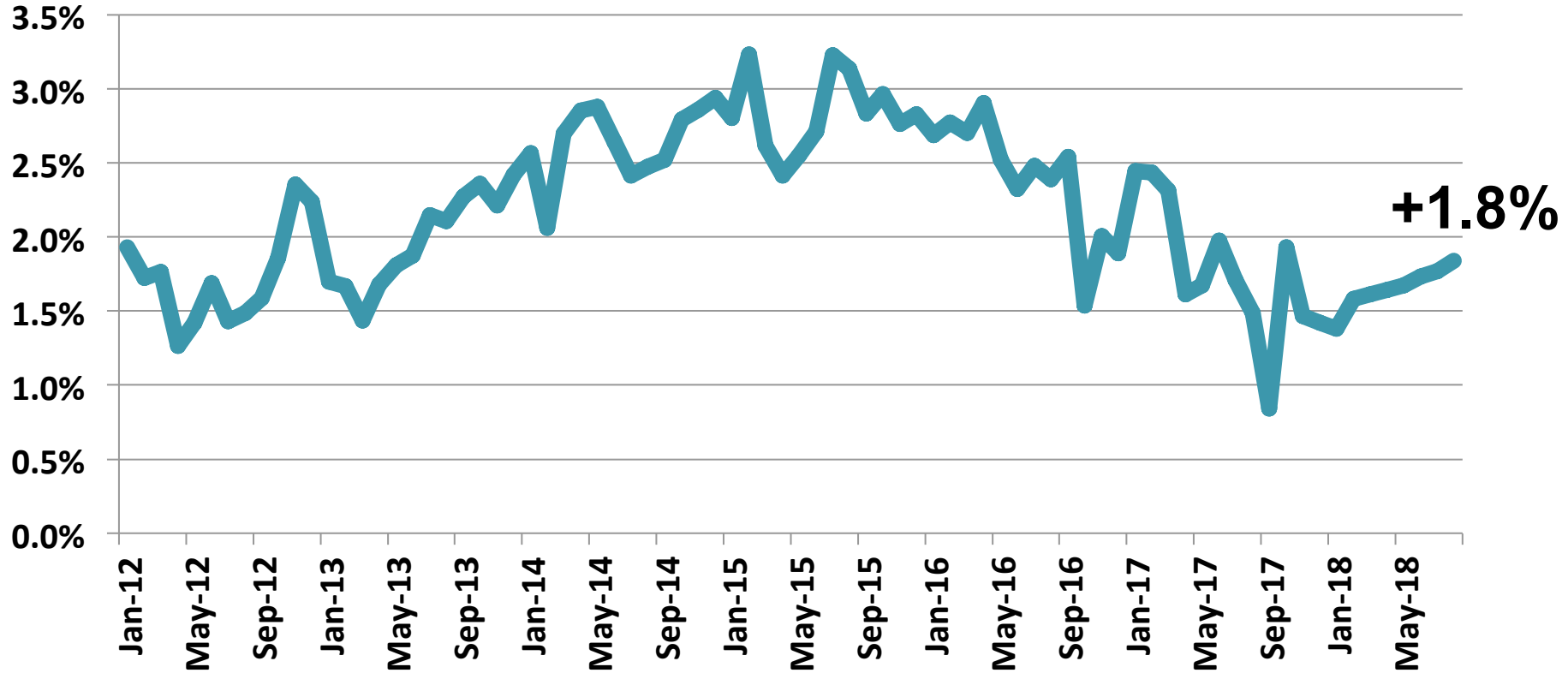
Source: Board of Governors of the Federal Reserve System



What about South Carolina?



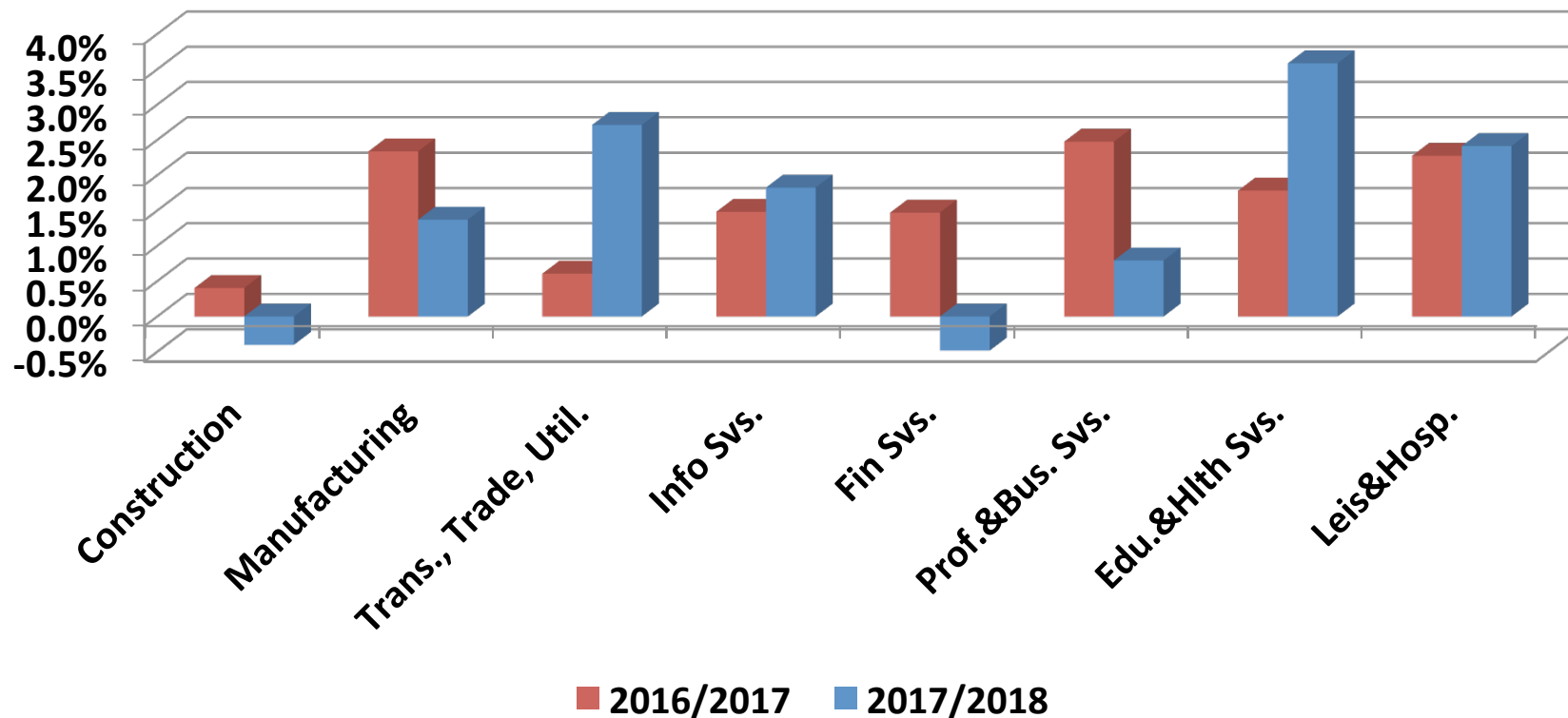
South Carolina Employment Growth



Source: U.S. Bureau of Labor Statistics



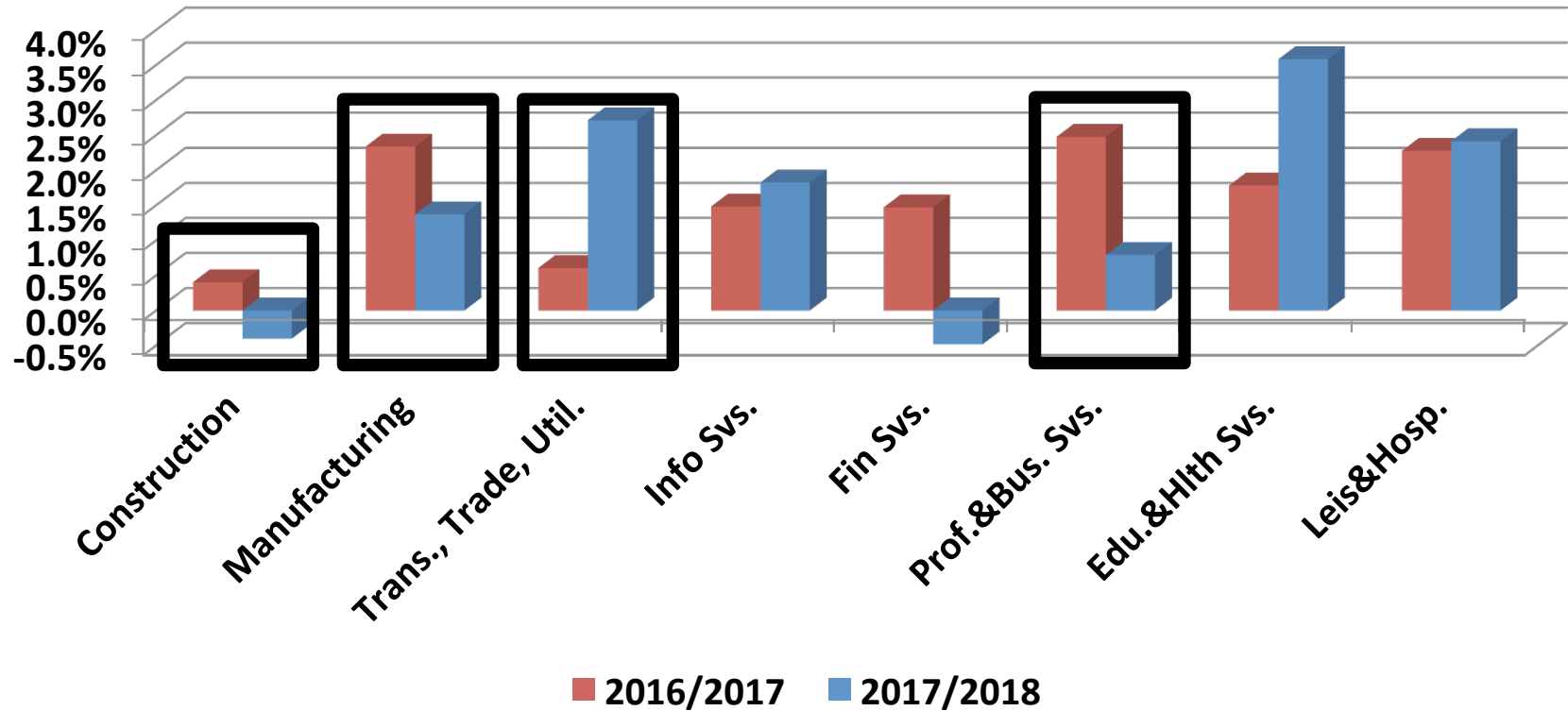
S.C. Employment Growth



Source: U.S. Bureau of Labor Statistics



S.C. Employment Growth



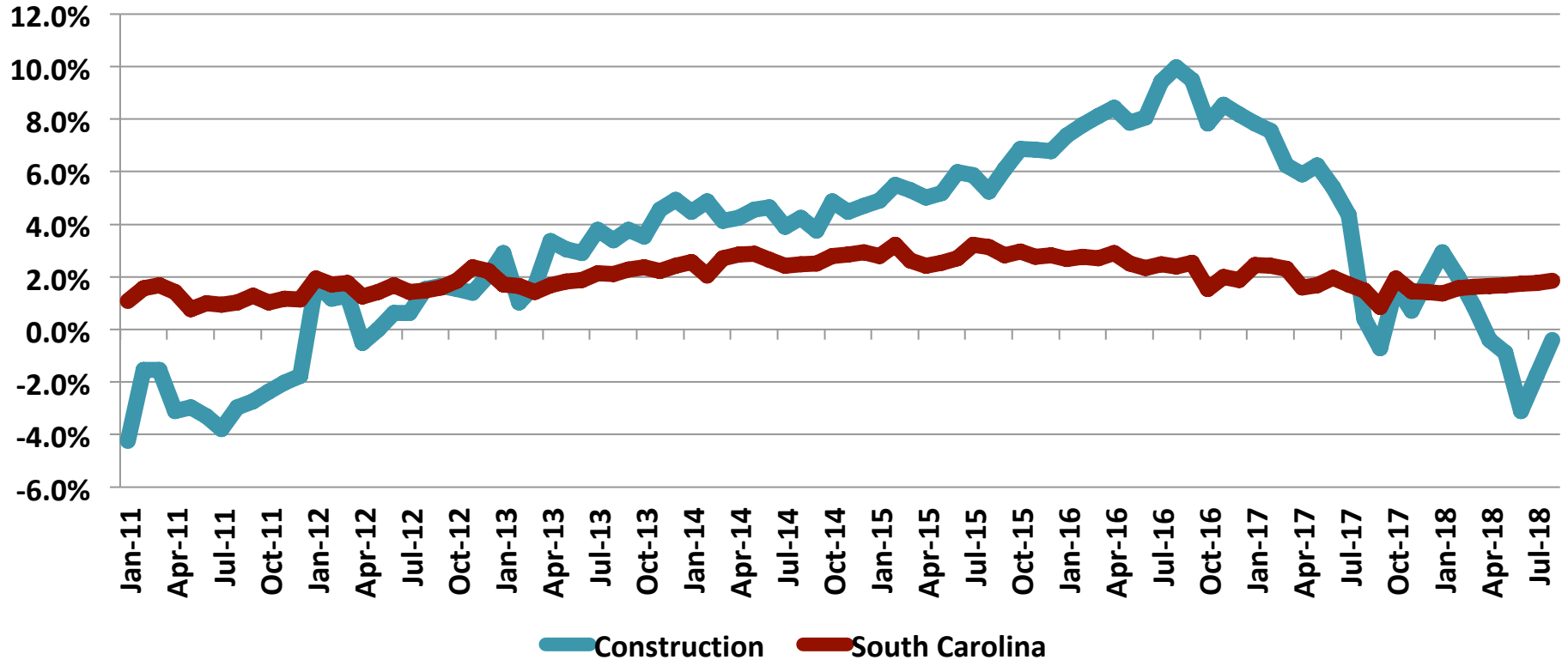
Source: U.S. Bureau of Labor Statistics



S.C. Construction Markets

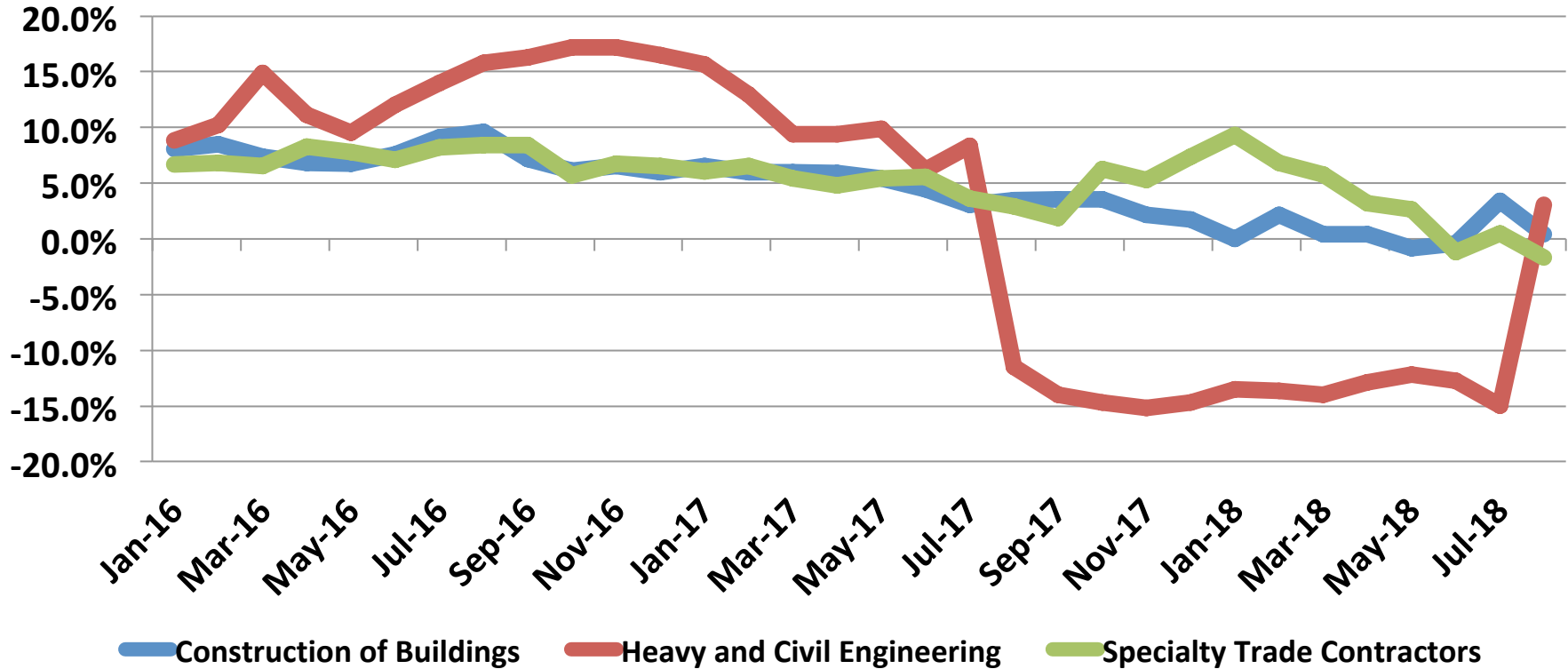


Construction Emp. Growth vs. SC Average



Source: U.S. Bureau of Labor Statistics

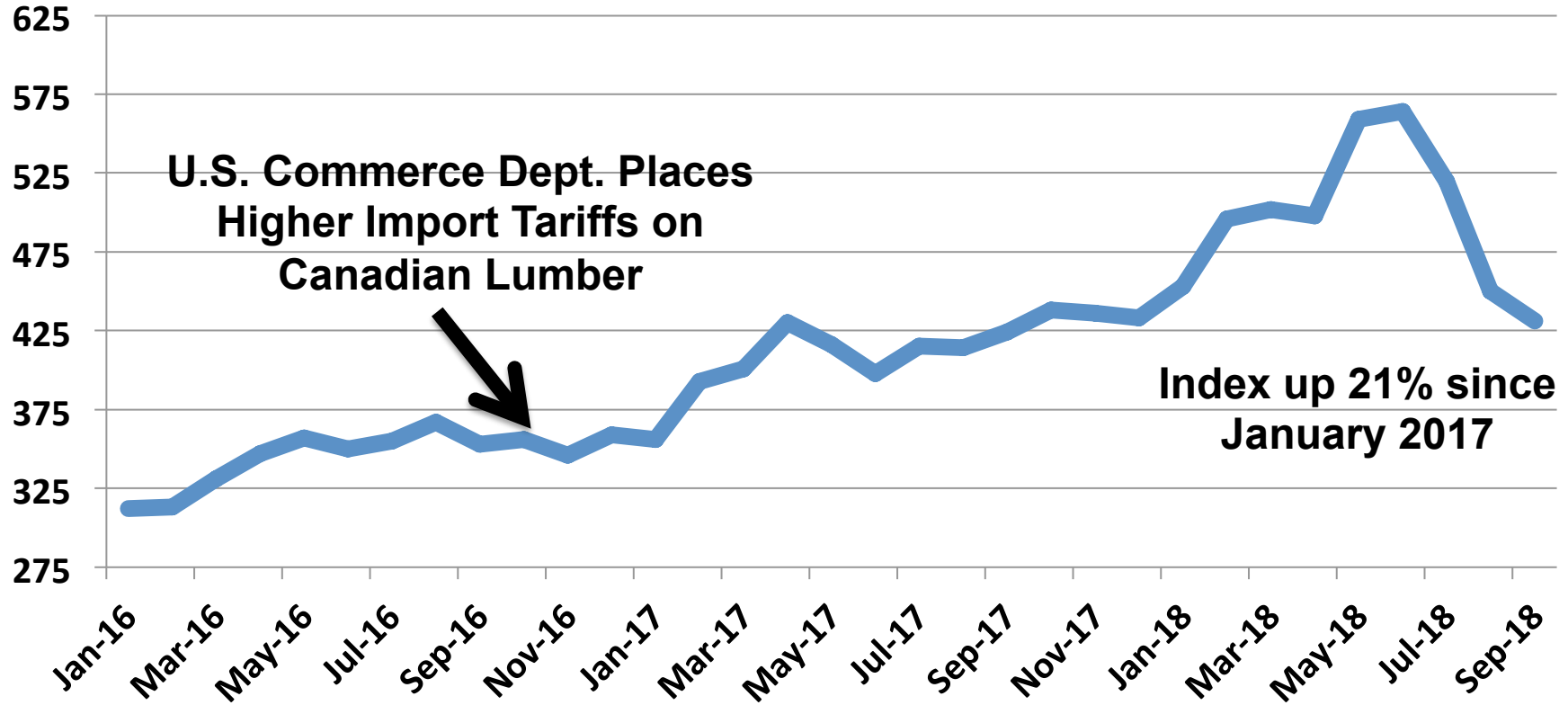
S.C. Construction Emp. Growth Components



Source: U.S. Bureau of Labor Statistics



Random Lengths Framing Lumber Composite Index



Housing Demand is Strong

Sales Activity



Permit Activity



Inventory

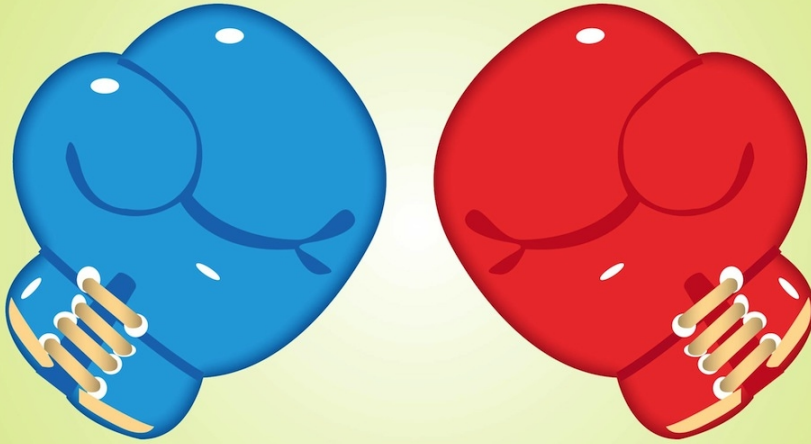


Tradeoffs!

Increasing builder costs

vs.

High demand due to steady
employment & wage growth



How are tariffs affecting manufacturing in South Carolina?

Short-run

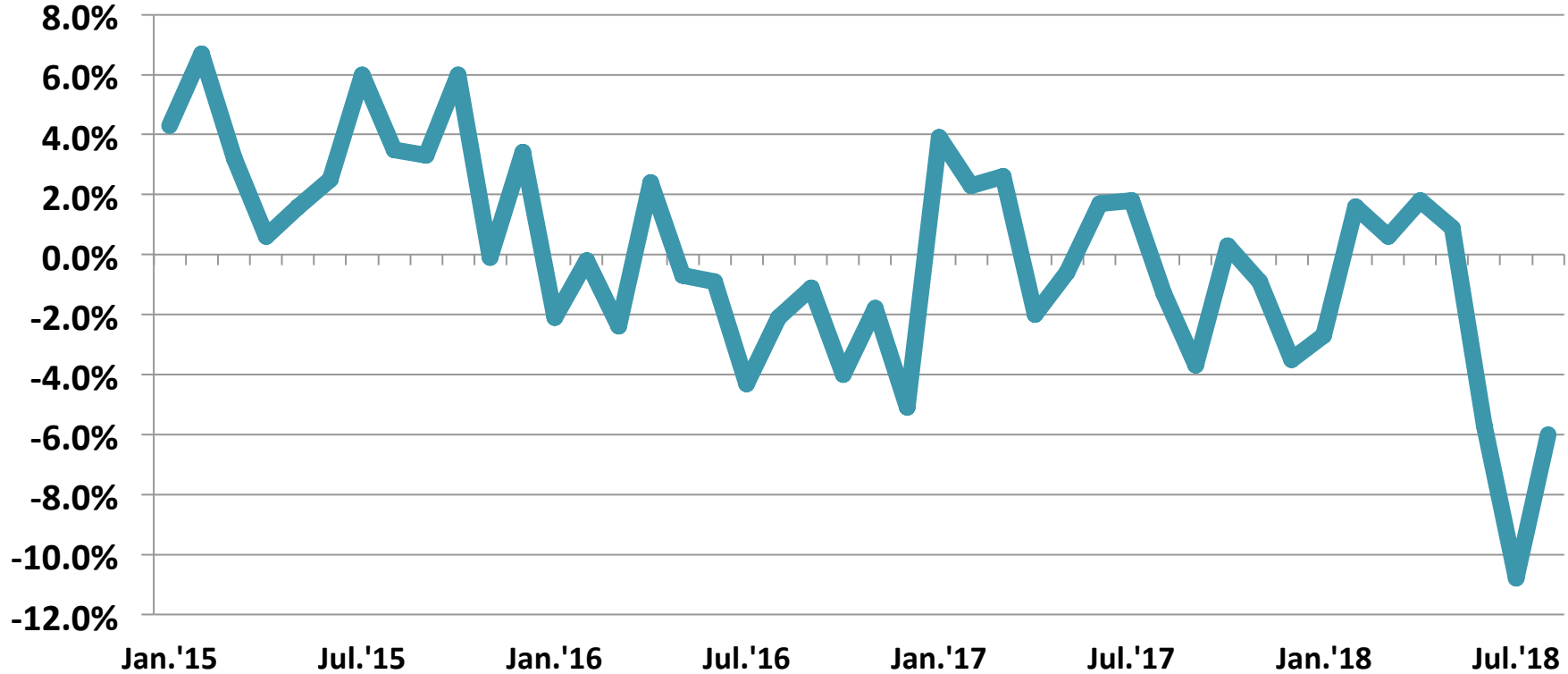
- Increased production costs
- Lower demand (-1.9%)

Long-run

- USMCA to replace NAFTA?
- Adjust global production strategies – a possible benefit for South Carolina



Growth in S.C. Employment Services



Source: U.S. Bureau of Labor Statistics



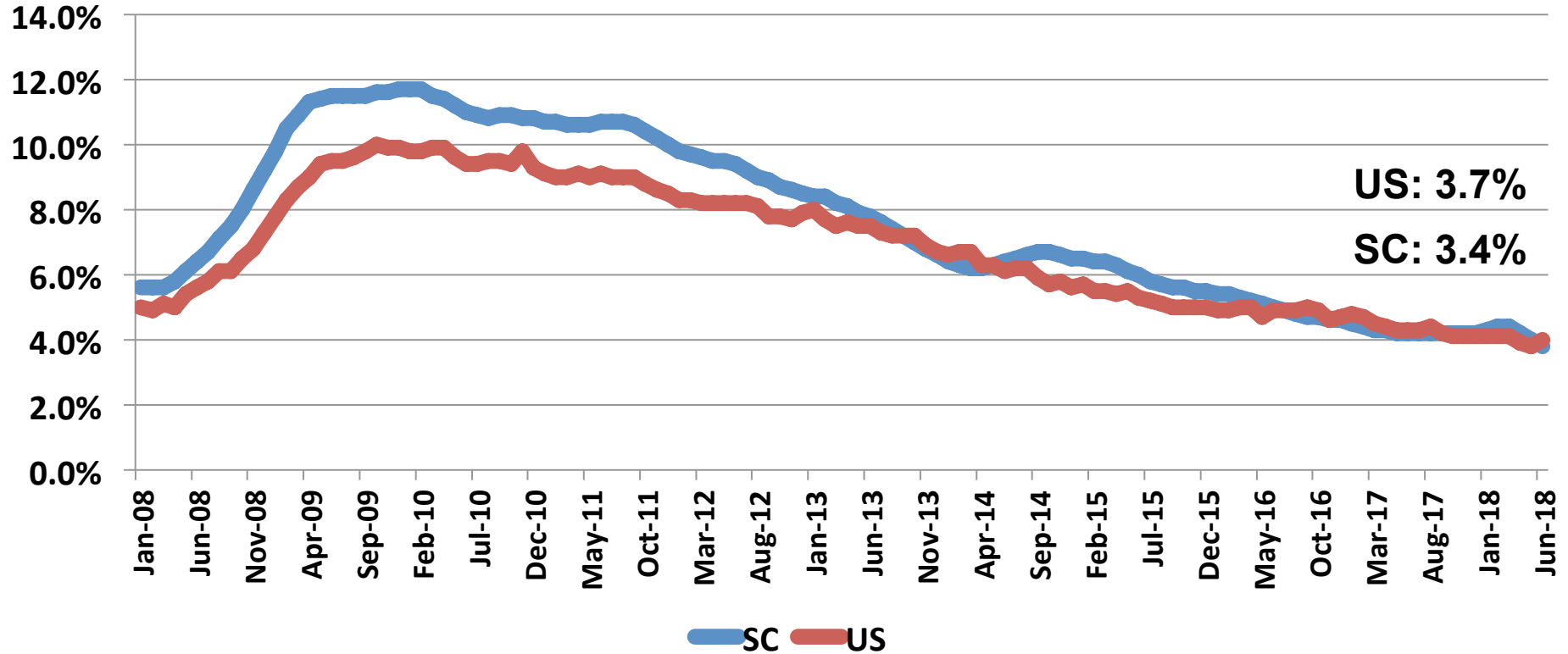
UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

USMCA May Benefit the S.C. Automotive Sector

- 75% of a vehicle's value must be produced in North America
- 40% of a vehicle must be made by workers earning at least \$16/hour
- *"We will allocate more U.S. production for the U.S. market"* – Harald Kruger, BMW CEO
- Moving away from export-oriented manufacturing?



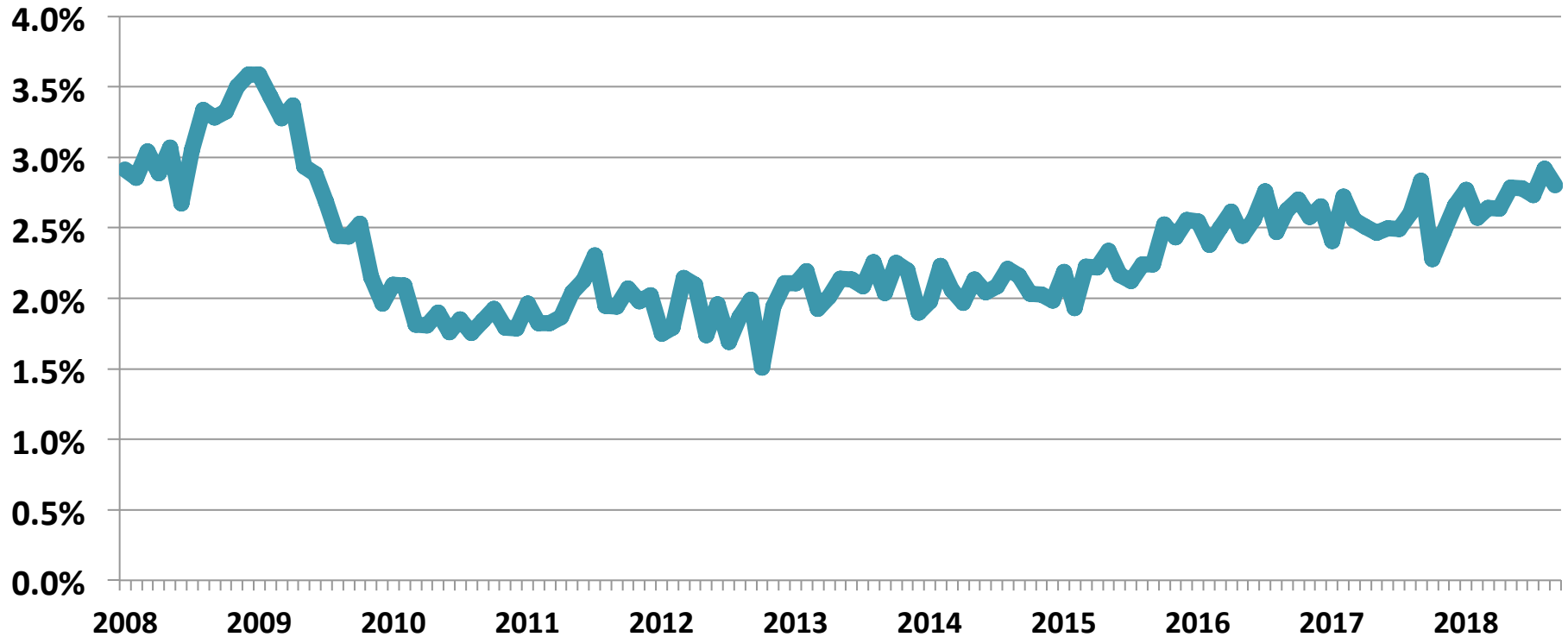
Unemployment Rates



Source: U.S. Bureau of Labor Statistics



Average Hourly Earnings of all U.S. Employees

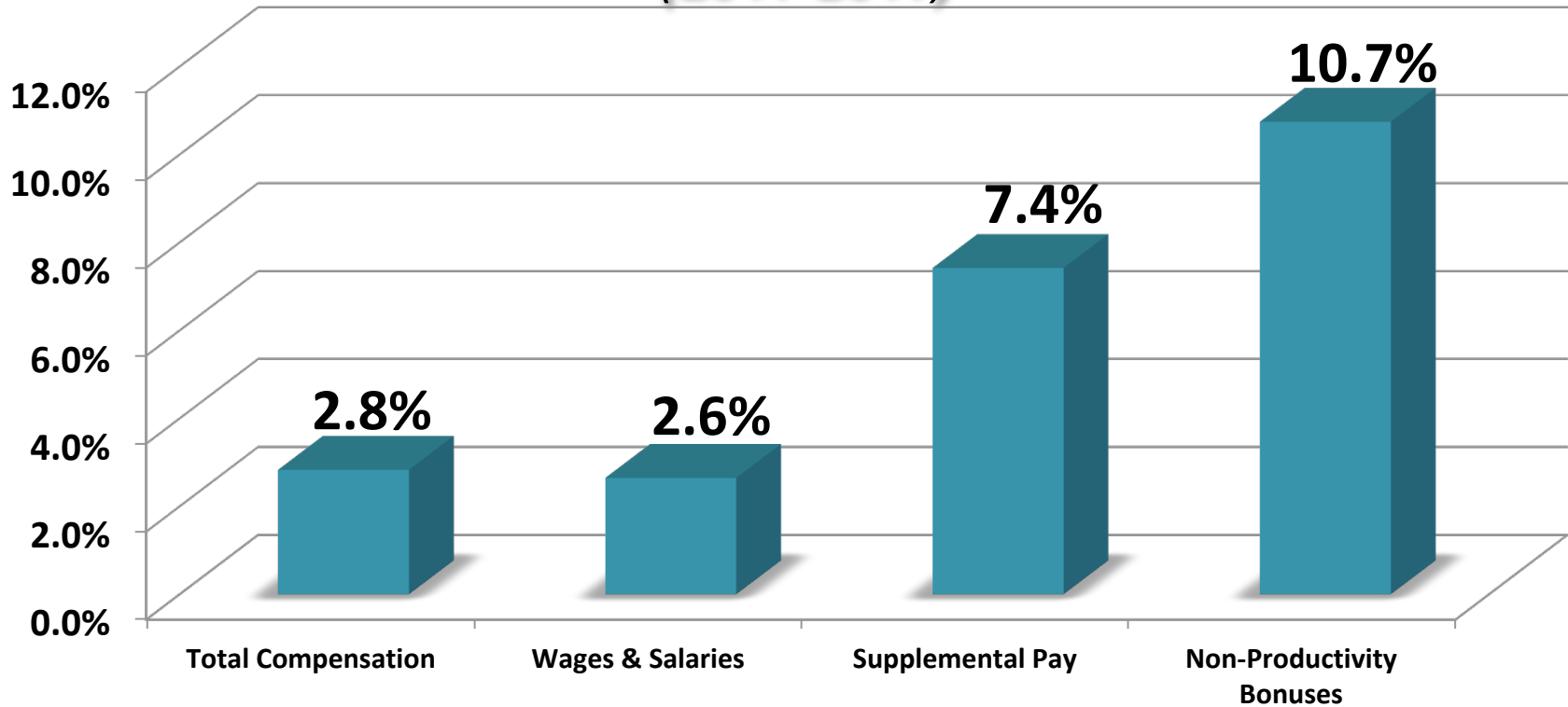


Source: U.S. Bureau of Economic Analysis



UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

Annualized Growth in Employer Costs per Hour Worked (2011-2017)



Source: U.S. Bureau of Labor Statistics



The Bottom Line



*Strong national economic growth w/
steady employment and wage gains*



Tariffs



*Broad-based growth across most
South Carolina sectors*



Labor shortages



*Consumer spending experiencing
consistent growth*



Interest rates



Baseline Economic Forecast

	FY18	Q218	<i>SCRFA-FY19</i>	<i>FY19</i>
Personal Income Growth	4.0%	3.9%	4.3%	<i>4.2%</i>
Employment Growth	1.5%	1.8%	1.8%	<i>1.7%</i>
Inflation Rate (CPI-U)	2.3%	2.7%	2.0%	<i>2.5%</i>



Thank You!



UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

joey.vonnessen@moore.sc.edu



UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business